

Tab 16

SUBLEASE OF LANDFILL GAS COLLECTION SYSTEM

THIS SUBLEASE, is made and entered into the 30th day of June, 1995, by and between APLC, Inc., a corporation organized under the laws of New Jersey with an address of 171 Palmer Street, Borough of Belford, New Jersey 07718 ("APLC") and GASCO L.L.C., a limited liability company organized under the laws of New Jersey with an address of 171 Palmer Street, Borough of Belford, New Jersey 07718 ("GASCO").

W I T N E S S E T H:

WHEREAS, APLC holds, or will hold, the right to possess and use the Methane Collection System (as hereinafter defined) at the Ocean County Landfill and to collect, deliver and sell all the Landfill Gas (as hereinafter defined) located at the Ocean County Landfill pursuant to that Facility Site, Methane Collection System and Landfill Gas Lease by and between APLC and Ocean County Landfill Corporation ("OCLC"); and

WHEREAS, APLC possesses, or will possess, the power, authority and right (i) to sell and transfer to GASCO all the rights that APLC now holds, or will hold, to collect, deliver and sell such Landfill Gas and (ii) to sublease to GASCO the right to possess and use the Methane Collection System; and

WHEREAS, GASCO desires to acquire APLC's rights to the Landfill Gas and the Methane Collection System for the purposes of collecting, delivering and selling the Landfill Gas to Manchester Renewal Power Corporation ("MRPC") for the purpose of fueling a small power production facility being developed by MRPC.

Contract Year shall mean such partial year commencing on January 1 and ending on the date of termination of this agreement.

(f) "Facility" means the small power production facility to be constructed, operated and maintained on the Leased Premises by MRPC.

(g) "Fixed Lease Payment" shall have the meaning as provided in Section 3.1 hereof.

(h) "Gas Rights" shall have the meaning as provided in Section 2.1 hereof.

(i) "Landfill Gas" means any gaseous mixture of hydrocarbons and noncombustible gases produced from the natural decomposition of biomass deposited in and under the real property subject to the 1985 Lease Agreement.

(j) "Landfill Gas Sales Agreement" means that agreement entered into or to be entered into by and between MRPC and GASCO wherein GASCO shall deliver and sell and MRPC shall take and pay for Landfill Gas.

(k) "Leased Premises" means that real property located within the Township of Manchester, County of Ocean and State of New Jersey, more particularly described in Schedule A attached hereto and made a part hereof, upon which the Facility and Building will be constructed, operated and maintained.

(l) "1985 Lease Agreement" is that lease, dated January 1985, as amended from time to time, wherein Atlantic Pier Company, Inc. leases to OCLC certain real property.

NOW, THEREFORE, for and in consideration of the promises and the mutual benefits and covenants herein contained, the Parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 For the purposes of this Sublease and Agreement, the following designations shall have the meaning defined in this Article:

(a) "Building" means that structure to be constructed pursuant to the provisions of the Facility Site Lease on the Leased Premises to house the Facility.

(b) "Methane Collection System" means the system of subsurface piping and other appurtenant facilities existing on and under, or to be installed on and under, the real property subject to the 1985 Lease Agreement, as defined herein, and utilized for the purpose of collecting the Landfill Gas.

(c) "Commercial Operation" means the date on which MRPC commences the production of electrical energy in commercial quantities from the Facility, as defined herein, for sale to the power purchaser pursuant to the terms and conditions of a Power Purchase Contract, as defined herein.

(d) Intentionally Omitted.

(e) "Contract Year" means initially the period commencing on the date hereof and ending on 12:00 a.m. on January 1 of the following year, and thereafter, shall mean each calendar year that this agreement remains in effect, except that the final

(m) "Power Purchase Contract" means the agreement entered into or to be entered into between MRPC and the public utility or other entity purchasing the electrical energy and capacity from the Facility ("Power Purchaser").

ARTICLE II
GRANT OF GAS RIGHTS AND
SUBLEASE OF METHANE COLLECTION SYSTEM

2.1 Landfill Gas Rights. APLC hereby grants, demises and conveys to GASCO all of its rights, title and interest in and to the Landfill Gas in and under the property subject to the 1985 Lease Agreement ("Gas Rights") together with such non-exclusive easements and such other rights and privileges as APLC possesses and are necessary or desirable to enable GASCO to enter on to such premises for the purpose of operating the Methane Collection System. During the term of this Agreement, APLC shall retain no rights or interest in the Landfill Gas.

2.2 Lease of Methane Collection System. APLC hereby grants, demises and leases the Methane Collection System to GASCO, and GASCO hereby leases the Methane Collection System from APLC pursuant to the terms and conditions of this lease.

ARTICLE III
FIXED LEASE PAYMENT

3.1 Fixed Lease Payment. For each calendar quarter during the term of the lease, GASCO shall pay APLC a rental payment in the [REDACTED], or in the event the lease term is for some fraction of a full calendar quarter, such fraction thereof

determined by dividing the number of days in such calendar quarter for which this lease was in effect by the total number of days in the calendar quarter ("Fixed Lease Payment").

3.2 Deferral of Fixed Lease Payment. The Fixed Lease Payment for any calendar quarter shall be deferred to the extent that GASCO's cash receipts during such quarter are inadequate to make such payment (the "Deficit"). Deficits, if any, shall be recorded and accumulated in a special account (the "Deficit Account"). The Deficit Account shall be reduced in each subsequent quarter, until a deficit no longer remains, if and to the extent that GASCO's cash receipts exceed the Fixed Lease Payment amount for such subsequent quarter(s), and GASCO pays such amount to APLC in addition to the Fixed Lease Payment payable for such quarter(s).

3.3 Payment of Lease Payments. GASCO shall pay the lease payment specified in Section 3.1 above, as may be adjusted by Section 3.2 above, to APLC no later than twenty (20) days following the date upon which all the data necessary to compute the Limitation becomes available to GASCO.

ARTICLE IV USE OF PREMISES

4.1 Use By GASCO. GASCO shall be permitted to enter onto the Leased Premises and to possess and use the Methane Collection System for the purpose of collecting, delivering and selling the Landfill Gas. GASCO shall not use or allow the use of the Leased Premises and the Methane Collection System for any other purpose without the prior written consent of APLC.

ARTICLE V
REPAIRS AND MAINTENANCE

5.1 APLC shall, throughout the term of this sublease and any extensions thereof, maintain, or cause to be maintained, the Methane Collection System in good order and condition, including but not limited to making all additions, repairs and replacements necessary to keep the premises and improvements in such condition. All additions, maintenance, repairs and replacements required by this section must be performed promptly when required and in accordance with the terms and conditions of the Power Purchase Contract as well as all applicable laws, rules and regulations. APLC shall be deemed to have met its obligations under this Section 5.1 if it enters into an agreement with another party pursuant to which such other party agrees to maintain the Methane Collection System on terms and conditions substantially consistent with this Section 5.1. The parties hereto intend that the Methane Collection System shall be placed in service before January 1, 1997.

ARTICLE VI
UTILITIES

6.1 APLC shall pay, or cause to be paid, all utility charges for water, electricity, heat, gas and telephone service used in the operation of the Methane Collection System during the term of the lease. All such charges shall be paid to the utility company or municipality furnishing the same, before the same shall become delinquent.

ARTICLE VII
INSURANCE

7.1 Property Insurance. APLC shall, during the term of this lease, keep, or shall cause others to keep, all the assets comprising the Methane Collection System insured against loss or damage by fire or theft, to include direct loss by windstorm, hail, explosion, flood, or riot, in an amount not less than the greater of: (i) the full fair insurable value of the Methane Collection System, or (ii) the amount, if any, required under the Power Purchase Contract. The insurance is to be carried by one or more insurance companies licensed to do business in New Jersey. Such policy or policies of insurance shall name both GASCO and APLC as a named insured and provide that any proceeds for loss or damage shall be payable solely to APLC, which sum APLC shall use for repair and restoration purposes.

7.2 Liability Insurance. APLC shall, or shall cause others to, provide and maintain in force during the term of this lease, liability insurance in the amount not less than the greater of: (i) of \$1,000,000.00, or (ii) the amount, if any, required under the Power Purchase Contract, naming APLC and GASCO as additional insureds, for any liability for property damage, including environmental contamination, or personal injury arising as a result of GASCO's occupation of the Leased Premises and use of the Methane Collection System. This insurance is to be carried by one or more insurance companies authorized to transact business in New Jersey.

7.3 Remedy for Failure to Provide Insurance. APLC shall furnish GASCO with certificates of all insurance required by this article. If APLC does not provide such certificates upon APLC's delivery of possession to GASCO, or if APLC allows any insurance required under this article to lapse, GASCO may, at its option, take out and pay the premiums on the necessary insurance to comply with APLC's obligations under the provisions of this article. GASCO shall be entitled to reimbursement from APLC for all amounts spent by it to procure and maintain such insurance, with interest at the rate of 8 percent per annum from the date of receipt of GASCO's notice of payment until reimbursement by APLC. At the election of GASCO, GASCO may withhold any such expenditures from the lease payments it makes to APLC.

ARTICLE VIII DEFAULT

8.1 Default by GASCO. If GASCO allows the Fixed Lease Payments to be in arrears more than 30 days after written notice of that delinquency, or if GASCO remains in default under any other condition of this sublease for a period of 30 days after written notice from APLC or if either the Landfill Gas Sales Agreement or Power Purchase Contract is terminated, APLC may at its option, without further notice to GASCO, terminate this sublease or, in the alternative, APLC may reenter and take possession of the Methane Collection System and remove all persons and property without being deemed guilty of any manner of trespass.

After entry, APLC may relet the Methane Collection System, or any part thereof, for all or any part of the remainder of the lease term, to a party satisfactory to APLC and at such rental as APLC may with reasonable diligence be able to secure. Should APLC be unable to relet after reasonable efforts to do so, or should the rental be less than the rental GASCO was obligated to pay under this sublease, or any renewal of this sublease, plus the expense of reletting, then GASCO shall pay the amount of such deficiency to APLC.

8.2 Default by APLC. If APLC defaults in the performance of any term, covenant, or condition required to be performed by it under this agreement, GASCO may elect to do either one of the following:

(a) After not less than 30 days' notice to APLC, GASCO may remedy such default by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended, or obligations incurred, by GASCO in connection with remedying APLC's default shall be paid by APLC to GASCO on demand and, on failure of such reimbursement, GASCO may, in addition to any other right or remedy that GASCO may have, deduct these costs and expenses from rent subsequently becoming due under this lease.

(b) GASCO may terminate this lease on giving at least 30 days' notice to APLC of such intention. In the event GASCO elects this option, the lease will be terminated on the date designated in GASCO's Notice, unless APLC has cured the default prior to expiration of the 30-day period.

8.3 Cumulative Remedies. All rights and remedies under this Article shall be cumulative, and none shall exclude any other right or remedy provided by law or by any other provision of this lease. All such rights and remedies may be exercised and enforced concurrently and whenever, and as often, as occasion for their exercise arises.

8.4 Waiver of Breach. A waiver by either GASCO or APLC of a breach of any covenant, obligation, or other provision of this lease by the other party does not constitute a continuing waiver or a waiver of any subsequent breach of the lease.

ARTICLE IX OWNERSHIP

9.1 The Methane Collection System (including all additions, repairs, replacements and improvements thereof) is, and shall at all times remain, the property of OCLC and GASCO shall have no right, title, or interest in said Methane Collection System except as expressly set forth in this sublease. The Methane Collection System is, and shall at all times remain, personal property notwithstanding that the Methane Collection System or any part of it may become affixed or attached in any manner to real property or any improvements on real property.

ARTICLE X TERM

10.1 This Agreement shall become effective upon the date hereof, and the lease term shall commence upon the satisfaction or waiver by the parties hereto of all the contingencies set forth in Article XI hereto. This Agreement shall terminate on (i) the

expiration or early termination of the Power Purchase Contract, including any extensions or renewals thereof, (ii) the mutual agreement of the parties, or (iii) otherwise in accordance with the terms of this Agreement.

ARTICLE XI **CONTINGENCIES**

11.1 The respective obligations of GASCO and APLC hereunder are each expressly conditioned on the following:

(a) the execution and delivery in form and substance satisfactory to APLC of:

(1) a Facility Site Lease by and between APLC and MRPC wherein, among other things, MRPC obtains the rights to occupy and use a portion of the Leased Premises for the purpose of constructing and operating the Facility; and

(2) a Power Purchase Contract by and between Power Purchaser and MRPC in such form and substance as is acceptable by MRPC.

(b) The execution and delivery, in form and substance satisfactory to APLC and OCLC, of the lease of the Leased Premises and the lease of the Methane Collection System to APLC by OCLC pursuant to the terms and conditions of the Facility Site and Methane Collection System Lease by and between APLC and OCLC, the Sublease of Landfill Gas Collection System by and between APLC and GASCO, respectively, or the construction and operation of the Facility.

(c) Execution and delivery of the Gas Flare System Service Agreement by and between OCLC and MRPC.

(d) This Agreement shall be effective as of the date hereof. In the event that any governmental or regulatory approval or permit deemed necessary or advisable to consummate the transactions contemplated hereunder are not received, either party may terminate this Agreement. Such right of termination shall only be exercisable upon the failure to receive a governmental or regulatory approval or permit deemed necessary or advisable to consummate the transactions contemplated hereunder. The rights of APLC and GASCO pursuant to this section 11.1(d) shall expire upon the earlier to occur of (i) Commercial Operation of the Facility pursuant to the Power Purchase Agreement, or (ii) December 31, 1995.

ARTICLE XIV
MISCELLANEOUS

13.1 Notices. All notices required under this lease must be given by certified mail or registered mail, addressed to the proper party, at the following addresses:

APLC, Inc.
171 Palmer Street
Belford, New Jersey 07718
Attn: Charles J. Hesse

GASCO, L.L.C.
171 Palmer Street
Belford, New Jersey 07718
Attn: Charles J. Hesse

Any party may change the address to which notices are to be sent by giving the other parties notice of the new address in the manner provided in this section.

13.2 Parties Bound. This agreement shall be binding upon, and inure to the benefit of, the parties to this agreement and their

respective heirs, successors and assigns when permitted by this agreement.

13.3 New Jersey Law to Apply. This agreement shall be construed under, and in accordance with, the law of the State of New Jersey, and all obligations of the parties created by this lease are performable in Ocean County, New Jersey.

13.4 Legal Construction. In case any one or more of the provisions contained in this agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of the agreement, and this agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been included in this agreement.

13.5 Prior Agreements Superseded. This agreement constitutes the sole and only agreement of the parties to the agreement and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter of this agreement including but not limited to the letter of intent dated February 15, 1994.

13.6 Amendment. No amendment, modification, or alteration of the terms of this agreement shall be binding unless it is in writing, dated subsequent to the date of this agreement, and duly executed by the parties to this agreement.

13.7 Force Majeure. The failure of either APLC or GASCO to perform any of its obligations hereunder by reason of an act or

event beyond such party's reasonable control, including acts of God or a public enemy, strikes, riots, injunctions, or other interferences through legal proceedings initiated by third parties, breakage or accident to machinery or lines of pipe, washouts, earthquakes, storms, fires, flood, explosions, freezing or failure of wells or lines of pipe or related facilities, or applicable governmental regulation, action, order or directive, which prevents or materially impairs performance, or to any other causes not due to the fault of such party and not within the reasonable control of such party, shall be deemed a failure attributable to a "Force Majeure Event."

Such failure shall not be deemed to be a violation by such party of its obligations hereunder. A party shall give notice and full particulars of such Force Majeure Event as soon as possible after the occurrence thereof. The obligations of the party unable to perform by reason of the Force Majeure Event shall be suspended for the duration of any Force Majeure Event; provided, however, that this provision shall not relieve GASCO of its obligation to make money payments hereunder with respect to prior periods.

13.8 Legal Remedy Inadequate. Each party hereby acknowledges and agrees that the breach by the other in the performance of its duties under this Agreement will cause irreparable injury which is inadequately compensable in monetary damages, and accordingly, either party may seek specific performance or such other equitable relief as may be appropriate in addition to any remedy at law.

13.9 Books and Records. At all times while this Agreement is in effect and for at least two (2) years following termination or expiration thereof, each party to this Agreement shall maintain and preserve complete and accurate records of all accounts and related information and data pertaining to any price, quantity, royalty, or other matter concerning the parties' respective rights and obligations under this Agreement, and make such records and materials available for inspection and audit by the other parties during reasonable business hours and upon reasonable notice.

13.10 Further Assurances. APLC and GASCO each hereby agree to use reasonable efforts to provide each other with such additional instruments, documents or other further assurances as the other may reasonably request in furtherance of the development, financing, construction, or operation of the Facility, or the performance of any duty and obligation arising hereunder; provided however, that nothing herein shall obligate either GASCO or APLC to assume any greater liabilities or obligations than are otherwise provided herein.

IN WITNESS WHEREOF, the parties have duly set their hands and seals the day and year first above written.

WITNESS:

GASCO, L.L.C.

By:  _____

APLC, INC.

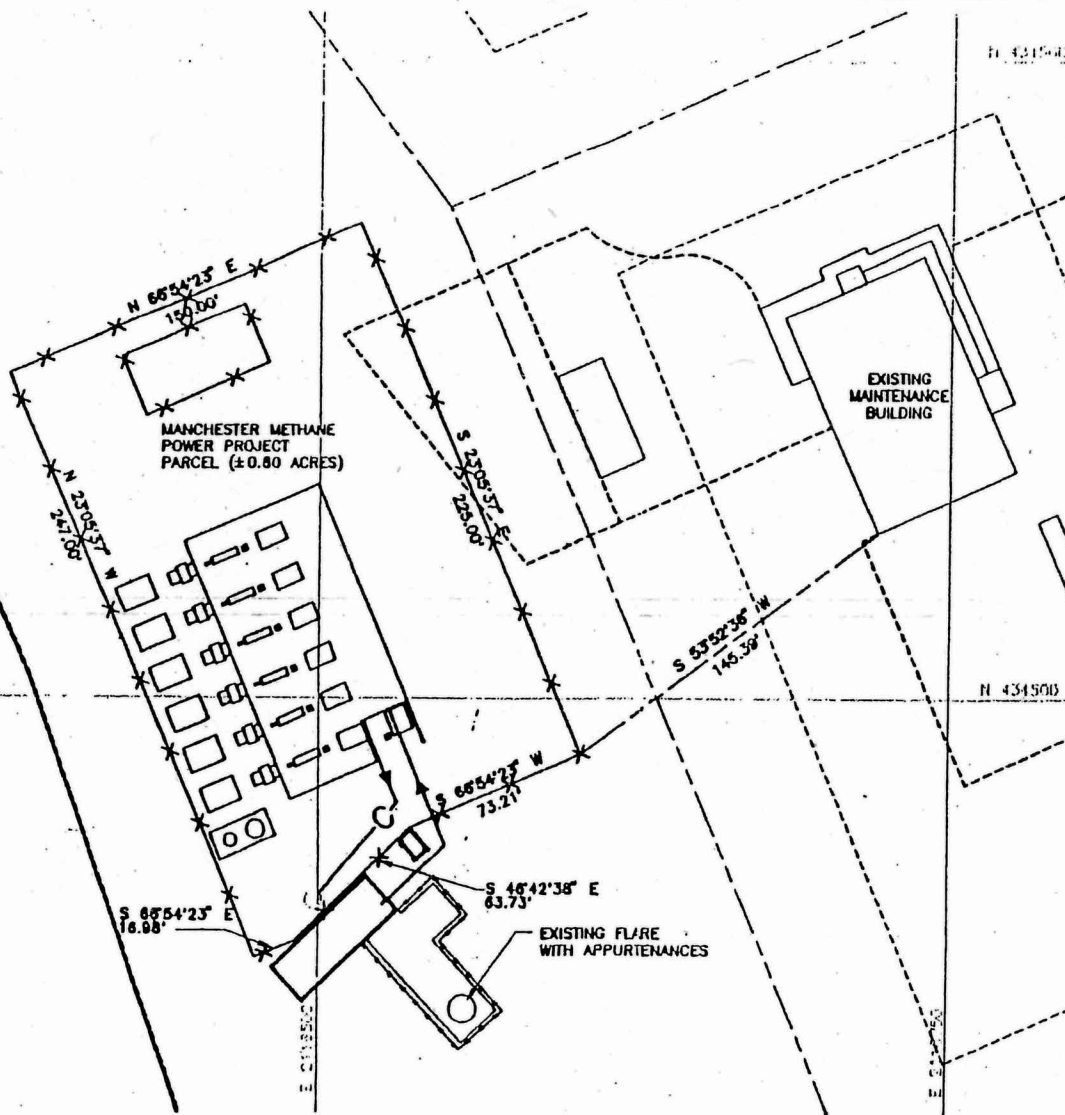
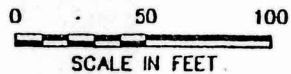
By:  _____

68326



SCHEDULE A

11 154500



DATE	7/7/95
OWN	DBT
APP	RAP
REV	

OCEAN COUNTY LANDFILL CORP.
MANCHESTER METHANE POWER PROJECT
MANCHESTER COUNTY, OCEAN COUNTY, NJ

PARCEL

FIGURE
1
PROJECT NO.
62129.0LG.000

ATTACHMENT B

RE: OEC FACILITY

**LANDFILL GAS
TRANSACTION DOCUMENTS**

